

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1489-03  
Bill No.: HB 735  
Subject: Education, Elementary and Secondary: Capital Improvements  
Type: Original  
Date: May 21, 2001

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
General Revenue	\$0	(\$36,000,000)	(\$72,000,000)
Classroom Trust	\$0	\$0	\$0
State School Moneys	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>(\$36,146,971)</b>	<b>(\$72,142,960)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>School Districts</b>	<b>\$0</b>	<b>(\$9,000,000)</b>	<b>(\$18,000,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials of **Department of Elementary and Secondary Education (DES)** note that the proposal would divert gaming proceeds currently used to fund the Foundation Formula to the Classroom Trust Fund (CTF). The FY 2001 budget estimates that \$180,000,000 will be transferred from the Gaming Proceeds For Education Fund to the State School Moneys Fund (SSMF). The proposal would switch the transfer to the Classroom Trust Fund over a five-year period. The State School Moneys Fund would receive additional General Revenue Fund transfers to cover losses. Assuming the \$180,000,000 remains constant, the fiscal impact would be:

FY	Gaming Proceeds	%	Classroom Trust Fund (CTF)	%	Transferred to SSMF	General Revenue Cost
2003	\$180,000,000	20	\$36,000,000	80	\$144,000,000	\$36,000,000
2004	\$180,000,000	40	\$72,000,000	60	\$108,000,000	\$72,000,000
2005	\$180,000,000	60	\$108,000,000	40	\$72,000,000	\$108,000,000
2006	\$180,000,000	80	\$144,000,000	20	\$36,000,000	\$144,000,000
2007	\$180,000,000	100	\$180,000,000	0	\$0	\$180,000,000

Department of Elementary and Secondary Education officials note that the amount per eligible pupil would be \$204 when the distribution change is completely effective in FY 2007 (\$180,000,000/ 880,000 pupils- projected number - = \$204)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - Increased Transfers to State School Moneys Fund	\$0	(\$36,000,000)	(\$72,000,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	\$0	(\$36,000,000)	(\$72,000,000)
<b>STATE SCHOOL MONEYS FUND</b>			
<u>Income</u> - Increased Transfers from General Revenue Fund	\$0	\$36,000,000	\$72,000,000
<u>Loss</u> - Decreased Transfers from Gaming Proceeds for Education Fund	\$0	(\$36,000,000)	(\$72,000,000)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>CLASSROOM TRUST FUND</b>			
<u>Income</u> - Transfers from Gaming Proceeds for Education Fund	\$0	\$36,000,000	\$72,000,000
<u>Cost</u> - Distributions to School Districts	\$0	(\$36,000,000)	(\$72,000,000)
<b>ESTIMATED NET EFFECT ON CLASSROOM TRUST FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>GAMING PROCEEDS FOR EDUCATION FUND</b>			
<u>Savings</u> - Decreased Transfers to State School Moneys Fund	\$0	\$36,000,000	\$72,000,000
<u>Costs</u> - Transfers to Classroom Trust Fund	\$0	(\$36,000,000)	(\$72,000,000)
<b>ESTIMATED NET EFFECT ON GAMING PROCEEDS FOR EDUCATION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2002 (10 Mo.)	 FY 2003	 FY 2004
<b>SCHOOL DISTRICTS</b>			
<u>Income</u> - Distributions from Classroom Trust Fund	\$0	\$36,000,000	\$72,000,000
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>\$0</u></b>	<b><u>\$36,000,000</u></b>	<b><u>\$72,000,000</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would redirect excursion gambling boat proceeds from State School Moneys Fund for distribution through the Foundation Formula to the Classroom Trust Fund. Classroom Trust Fund proceeds would be distributed to school districts on a per pupil basis.

DESCRIPTION (continued)

Moneys would be redirected over a five-year period beginning in Fiscal Year 2003, and the General Assembly would appropriate money from the General Revenue Fund to replace moneys redirected from the State School Moneys Fund.

The Classroom Trust Fund would also receive unclaimed Lottery winnings.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. The proposal would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA  
Director  
May 21, 2001